DNR Appraisal Review Process – Reference Material

Notes from Appraisal Institute October 2011 Class
*Appraising the Appraisal: Appraisal Review* – Stephanie Coleman, Instructor

- A Code of Ethics and Competency (of the appraiser and the appraisal process) is foundational to USPAP.
    - USPAP says lack of bias is the most important factor in producing a credible report.
    - Ethical means the intent to do the right thing.
    - Competency means the appraiser has the skill to do the right thing.

- USPAP definition of a Review: Opinion of the quality of another appraiser's work.

- Purpose of an Appraisal Review: To reinforce the client's confidence in the credibility of the appraisal and its conclusions. Includes:
    - Testing reasonableness for intended use,
    - Testing appropriateness of methods and techniques employed,
    - Bolstering appraisal's credibility,
    - Aiding client (DNR) in managing risk,
    - May lead to enhanced comfort level for decision makers,
    - Never intended as a vehicle for nit picking – the benefit of the doubt is always given to the appraiser unless credibility issues.

- USPAP definition of Credibility: Worthy of belief, which is measured in light of the intended use of the report. (The intended use of a report must be discussed/developed with the client and reported in the appraisal – it is a mandatory reporting requirement.)
    - A short list of expectations of a quality appraisal:
        - Well supported and documented,
        - Reader can follow the appraiser's thought process,
        - Analysis is logical and sensible,
        - Analysis and conclusions are credible and convincing to the intended user.
    - A short list of warning signs of a problem appraisal:
        - Comparing apples/oranges – using dissimilar comparable properties,
        - Carelessness or inconsistencies in report (including describing market as trending, in one direction but data in valuation section trends otherwise),
        - Redundancy and information overload,
        - Leaps of faith – unsupported or questionable assumptions,
        - Unexpected Limiting Conditions – sometimes used to limit liability,
        - Selection of key assumptions at the extreme margins of a range,
        - Questionable or suspect data,
        - *Failure to apply a test of reasonableness before finalizing the value.*

- Section of report most often misunderstood/inadequate – Highest and Best Use.